MODEL QUESTION PAPERS FOR PRACTICE

(Based on the latest guidelines issued by C.B.S.E.)

MODEL QUESTION PAPER — I

CLASS – XII

ACCOUNTANCY

Time Allowed: 3 Hours | **Maximum Marks: 80**

General Instructions:

(*i*) This question paper contains two parts A, and C.
(*ii*) Part A is compulsory for all.
(*iii*) Part B has two options-Financial statement Analysis Computerised Accounting.
(*iv*) Attempt only one option of Part B.
(*v*) All parts of a question should be attempted at one place.

Part—A

Accounting for Partnership Firms and Companies

Q1. State any two reasons for dissolution of a firm. **1**

Q2. Red, Green and White are partners. They have no partnership agreement. Red, Green and White contributed ₹ 5,00,000, ₹ 8,00,000 and ₹ 4,00,000 respectively towards their capital. Red and Green are demanding that the profits should be shared in the ratio of 5 : 8 : 4 respectively for which White is not agreeable. Settle the dispute between the partners. **1**

Q3. Give the formula for calculating 'Sacrificing Ratio'. **1**

Q4. Vijay and Sanjay are partners for $\frac{1}{4}$ and $\frac{3}{4}$ share in firm's profits. Ajay is admitted for $\frac{1}{3}$ shares. What is the ratio in which Vijay and Sanjay will sacrifice their share in favour of Ajay? **1**

Q5. What is meant by 'oversubscription'? **1**

Q6. Why does a firm prepare Partner's Executor Account? **1**

Q7. Shakti Ltd. decided to redeem its 250, 12% Debentures of ₹ 100 each. The debentures were to be redeemed purely out of profits. The company had already made a provision for Debenture Redemption Reserve in its books. **3**

Pass necessary jourjnal entries in the books of the company for the above transactions.

[***Hint:*** As per section 71(4) of Companies Act 2013 alongwith the 'Share Capital and Debentures Rules 2014', a company is required to create at least 25% of the value of debentures as Debenture Redemption Reserve. Thus, it assumed that the company must have created 25% of ₹ 25,000 i.e. ₹ 6350 as DRR.

Q8. Pass journal entries in the following cases:

(*i*) X Limited forfeited 100 shares of ₹ 10 each. ₹ 6 called-up issued to Mahesh on which he had paid ₹ 2 per share. Out of these, 80 shares were re-issued at ₹ 6 per share to Suresh, being ₹ 8 paid up.

(*ii*) M Limited forfeited 2,000 equity shares of ₹ 10 each, issued at a premium of ₹ 5 per share, held by Ram for non-payment of the final call of ₹ 3 per share. Out of these, 100 shares were re-issued to Vishu at a discount of ₹ 4 per share. **3**

[***Hint:*** (*i*) Capital Reserve = ₹ Nil, (*ii*) Capital Reserve = ₹ 300]

Q9. A and B commenced business in partnership on 1st January, 2013. No partnership agreement was made either oral or written. They contributed ₹ 40,000 and ₹ 10,000 respectively as capital. In addition, A also advanced ₹ 20,000 on 1st July, 2013 as loan. A met with an accident on 1st April, 2013 and could not attend the partnership business upto 30th June, 2013. The profits for the year ended on 31st December, 2013 amounted to ₹ 50,600. Disputes having arisen for sharing the profits between them.

A Claims:

(*i*) He should be given interest at 10% p.a. on capital and loan.

(*ii*) Profit should be distributed in proportion of capital.

B Claims:

(*i*) Net profit should be shared equally.

(*ii*) He should be allowed remuneration of ₹ 1,000 p.m. during the period of A's illness.

(*iii*) Interest on capital and loan should be given only at 6% p.a.

You are required to settle the dispute between them and distribute the profits according to law. State the value points needs to be considered while settling A's Account. **3**

[***Hint:*** Interest on Loan @ 6% p.a. for 6 months = ₹ 600; Net Profit = ₹ 25,000 each.]

Q10. (*i*) Ajit and Baljit are partners in a firm sharing profits in the ratio of 3 : 2. They admit Surjit as a new partner. Ajit surrenders 1/4th of his share and Baljit sacrifices 1/5th of his share in favour of Surjit. Calculate the new profit sharing ratio.

(*ii*) A and B are partners in a firm sharing profits in the ratio of 5 : 3. They admit C into the partnership for 3/10th share in profits, which he takes 2/10th from A and 1/10th from B.C brings in ₹ 3,000 as premium in cash out of his share of ₹ 7,800. Goodwill account does not appear in the books of A and B. Give the necessary journal entries in the books of the new firm. **1 + 2 = 3**

[***Hint:*** (*i*) New Ratio = 45 : 32 : 23 (*ii*) C's Capital A/c (Dr.) ₹ 4,800; A's Capital (Cr) ₹ 3,200; B's Capital (Cr.) ₹ 1,600]

Q11. Suman Ltd. decided to redeem ₹ 1,50,000, 10% debentures. It purchased ₹ 1,20,000 debentures in the open market at ₹ 98 each. The expenses being ₹ 600 and redeemed the balance debentures by draw of lots. Journalise. **4**

[***Hint:*** Profit on Redemption of Debentures = ₹ 1,800]

Q12. Gopalan Limited purchased 600 debentures of ₹100 each @ ₹ 80 per debenture alongwith commission @ 2% for immediate cancellation and further purchased 400 debentures @ ₹ 70 per debenture for investment purpose. The company sold these debentures after two months @ ₹ 110 per debenture. Journalise assuming company maintains sufficient debenture redemption reserve. **4**

[***Hint:*** Profit on cancellation ₹ 1,040; Profit on sale ₹ 16,000]

Q13. Amit, Babita and Sona formed a partnership firm, sharing profits in the ratio of 3 : 2 : 1 subject to the following:

(*i*) Sona's share in the profits, guaranteed to be not less than ₹ 15,000 in any year.

(*ii*) Babita gives guarantee to the effect that gross fee earned by her for the firm shall be equal to her average gross fee of the preceeding five years, when she was carrying on profession alone (which is ₹ 25,000). The net profit for the year ended March 31, 2013 is ₹ 75,000. The gross fee earned by Babita for the firm was ₹ 16,000.

You are required to show Profit and Loss Appropriation Account (after giving effect to the alone). **6**

[***Hint:*** Profit transferred to: Amit's Capital A/c = ₹ 41,000, Babita's A/c = 27,000, Sona's Capital A/c = ₹ 15,000]

Q14. A, B and C were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31st March, 2015 their Balance Sheet was as under:

Liabilities		(₹)	Assets	(₹)
Creditors		7,000	Buildings	20,000
Reserves		10,000	Machinery	30,000
A's Capital	30,000		Stock	10,000
B's Capital	25,000		Patents	6,000
C's Capital	15,000	70,000	Cash	21,000
		87,000		87,000

C died on 1st October, 2015. It was agreed between his executors and the remaining partners that:

(*i*) Goodwill be valued at 2 years' purchase of the average profits of the previous five years, which were 2011: ₹ 15,000, 2012: ₹ 13,000; 2013: ₹ 12000; 2014: ₹ 15,000 and 2015: ₹ 20,000.

(*ii*) Patents be valued at ₹ 8,000, Machinery at ₹ 28,000 and Buildings at ₹ 30,000

(*iii*) Profit for the year 2015-16 be taken as having accured at the same rate as the previous year.

(*iv*) Interest on capital be provided at 10% p.a.

(*v*) A sum of ₹ 7,750 was paid to his executors immediately.

Prepare C's Capital Account and his Executor's Account at the time of his Death. **6**

[***Hint:*** Amount due to C's executors = ₹ 27,750]

Q15. B. Ltd. issued 1,000, 12% debentures of ₹ 100 each on January 01, 2008 at a discount of 5% redeemable at a premium of 10%. Give journal entries relating to the issue of debentures and debentures interest for the period ending December 31, 2008 assuming that interest is paid half yearly on June 30 and December 31 and tax deducted at souces is 10% B. Ltd. follows calendar year as its accounting year. **6**

Q16. A and B were partners in a firm since 1.4.2011. Their Capital were ₹ 60,000 and ₹ 40,000 respectively. They shared profit and loss in the ratio of 3 : 2. They continued business for 2 years. They earned profit in the 1st year ₹ 60,000 and suffered loss in 2nd year ending 31st March, 2013, ₹ 40,000. As the business was no longer profitable they decided to dissolve the firm.

Creditors on that date were ₹ 20,000. The partners withdrew ₹ 7,000 each per year for their personal expenses. The assets realised ₹ 1,00,000. The expenses on realisation was ₹ 3,000. Prepare Realisation Account and show your workings clearly. **8**

[***Hint:*** Loss on Realisation = ₹ 15,000 ; Sundry Assets = ₹ 1,12,000; Final Payment of Capital to Partners: A = ₹ 49,000 and B = ₹ 28,000]

Or

The Balance Sheet of A, B and C who were sharing profits in the ratio of 5 : 3 : 2, is given below as at March 31, 2013:

Balance Sheet of A, B and C as at March 31, 2013

Liabilities		**(₹)**	**Assets**	**(₹)**
Capitals:			Land	4,00,000
A	7,20,000		Buildings	3,80,000
B	4,15,000		Plant and Machinery	4,65,000
C	3,45,000	14,80,000	Furniture and Fitting	77,000
Reserve Fund		1,80,000	Stock	1,85,000
Sundry Creditors		1,24,000	Sundry Debtors	1,72,000
Outstanding Expenses		16,000	Cash in Hand	1,21,000
		18,00,000		18,00,000

B retries on the above date and the following adjustments are agreed upon his retirement:

(*i*) Stock was valued at ₹ 1,72,000.

(*ii*) Furniture and fittings to be valued less by ₹ 3,000.

(*iii*) An amount of ₹ 10,000 due from Mr. D was doubtful and a provision for the same was required.

(*iv*) Goodwill of the firm was valued at ₹ 2,00,000 but it was decieded not to show goodwill in the books of accounts.

(*v*) B was paid ₹ 40,000 immediately on retirement and the balance was transferred to his loan account.

(*vi*) A and C were to share future profits in the ratio of 3 : 2

Prepare Revaluation Account, Capital Account and Balance Sheet of the reconstitued firm.

[***Hint:*** Loss as Revaluation = ₹ 26,000; B's Loan = ₹ 4,81,200; Capital: A = ₹ 7,77,000 and C = ₹ 3,35,800; B/S Total = ₹ 17,34,000]

Q17. Poonam Sarees Ltd. issued a prospectus inviting applications for 5,000 shares of ₹ 100 each at a premium of ₹ 10 per share payable as follows:

₹ 20 on Application; ₹ 50 on Allotment (including Premium); ₹ 25 on First Call and ₹ 15 on Final Call.

Applications were received for 9,000 shares and allotment made pro-rata to the applications of 7,500 shares.

A, to whom 50 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay first call, his shares were forfeited. B, the holder of 60 shares, failed to pay the two calls, and his shares were forfeited after the second call.

Out of the shares forfeited, 90 shares were re-issued to C credited as fully paid for ₹ 104 per share, the whole of A's share being included.

Pass journal entries. **8**

[***Hint:*** Transfer to Capital Reserve = ₹ 3,400]

Or

Pearl Ltd. invited application for 50,000 equity share of ₹ 10 each. The shares were issued at a premium of ₹ 4 per share. The amount was payable as follows:

On Applications and Allotment ₹ 8 per share (including premium ₹ 2)

Balance including premium on the first and final call.

Applications for 75,000 shares were received. Applications for 5,000 shares were rejected and pro-rata allotment was made to the remaining applicants on the following basis:

(*i*) Applicants for 40,000 shares were allotted 30,000 shares; and

(*ii*) Applicants for 30,000 shares were allotted 20,000 shares.

Sohan, who belonged to the first category and was allotted 600 shares, failed to pay the first call money. Mohan who belonged to the second category and was allotted 100 shares also failed to pay the first call money. Their shares were forfeited. The forfeited shares were re-issued @ ₹ 15 per share fully paid up.

Pass necessary Cash Book and Journal Entries. [***Hint:*** Capital Reserve = ₹ 4,800]

Part—B

Analysis of Financial Statements

Q18. State with reason whether increase in creditors would result in inflow, outflow or no flow of cash flow. **1**

Q19. Under which type of activity will you classify 'Provision for Income Tax' while preparing Cash Flow Statement. **1**

Q20. What is a contingent liability? Give three examples of contingent liabilities. **4**

Q21. From the following information, prepare a Comparative Balance Sheet: **4**

Particulars	31-12-2011 (₹)	31-12-2012 (₹)
Equity Share Capital	2,50,000	2,50,000
Fixed Assets	3,00,000	3,60,000
Reserves & Surplus	50,000	60,000
Investments	50,000	50,000
Long-term Loans	1,50,000	1,50,000
Currents Assets	1,50,000	1,05,000
Current Liabilities	50,000	55,000

Q22. (*i*) A company had a Liquid Ratio of 1.5 and Current Ratio of 2 and Inventory Turnover Ratio of 6 times. It had total current assets of ₹ 8,00,000 in the year 2013. Find out annual sales of goods when goods are sold at 25% profit on cost.

(*ii*) ₹ 2,00,000 is the cost of goods sold; inventory turnover 8 times; inventory at the beginning is 1.5 times more than the inventory at the end. Calculate the value of opening and closing inventory. **4**

[***Hint:*** (*i*) Sales = ₹ 15,00,000, (*ii*) Opening inventory = ₹ 30,000; Closing inventory = ₹ 20,000]

Q23. Prepare Cash flow Statement of Rose Ltd. from the following information for the year ended March 31, 2014

Particulars	March 31, 2013 (₹)	March 31, 2014 (₹)
Investment	1,80,000	2,40,000
Fixed Assets (at Cost)	2,10,000	4,00,000
Equity Share Capital	10,00,000	14,00,000
Long-Term Loan	8,00,000	4,50,000
Cash & Cash Equivalents	64,000	44,000

Additional Information:

(*i*) Cash flows from operation activities after tax and extraordinary items ₹ 3,80,000.

(*ii*) Depreciation on fixed assets ₹ 85,000

(*iii*) Interest Received ₹ 45,000

(*iv*) Dividend paid during the year ₹ 1,60,000. **6**

[***Hint:*** Cash and Cash Equivalents at the end of the year = ₹ 44,000]

MODEL QUESTION PAPER — 2

CLASS – XII

ACCOUNTANCY

Time Allowed: 3 Hours **Maximum Marks: 80**

Part—A

Accounting for Partnership Firms and Companies

Q1. Surya, Chandra and Tara are partners in a firm. They contributed ₹ 3,00,000, ₹ 2,00,000 and ₹ 1,00,000 for their respective capitals. Due to ill health Surya could not attend the firm's business and Tara had to put extra labour and time. Tara is demanding a salary of ₹ 5,000 per month for the period of ill health of Surya for which Surya is not agreeable. Chandra is demanding division of profit in capital ratio for which Tara is not agreeable. Settle the dispute between the partners. **1**

Q2. Sanjay and Ajay are partners sharing profit and losses in the ratio of 3 : 1 respectively. They admit Abhay for ¼ th share which he took in the 3 : 1 from Sanjay and Ajay. Calculate new profit sharing ratio. **1**

Q3. Aakash and Prithvi are partners in a firm in the ratio 7 : 3 Antriksh is taken as new partner in the firm giving him ¼ th share. What is new profit sharing ratio of the partners? **1**

Q4. What is two main characteristics of a debenture? **1**

Q5. When is Debenture Redemption Reserve created? **1**

Q6. On 1st January, 2013, R Ltd. has ₹ 5,00,000 as Debenture Redemption Reserve. The company has to redeem its 12% debentures at the end of 2013 worth ₹ 90,00,000. How much amount of DRR is required to be created? **1**

[***Hint:*** A company is required to create DRR as 25% of the value of Debentures]

Q7. Z Ltd., purchased a building for ₹ 2,20,000. Half of the payment was made in cash and the balance by issue of 12% debentures at a premium of 10%. Pass the necessary journal entries. **3**

[***Hint:*** Securities Premium Reserve = ₹ 10,000]

Q8. Mother Ltd. forfeited 100 equity shares of ₹ 10 each for non-payment of first call of ₹ 2 per share and the final call of ₹ 3 per share on 31st March, 2013. 50 forfeited shares were re-issued as fully paid for ₹ 8 per share and balance of the shares were re-issued on 30th June, 2013 at ₹ 7 per share.

Give journal entries to record forfeiture and re-issue of shares. **3**

[***Hint:*** Total Capital Reserve = ₹ 150]

Q9. Anu, Beena, Ceema and Deepa share profits in the ratio of 5 : 3 : 2 : 2 and their capitals are ₹ 5,000, ₹ 6,500, ₹ 6,000 and ₹ 6,500 respectively. On 31 December, 2013, after closing the books it is found that interest on capital @ 5% p.a. was omitted. Instead of altering the signed accounts, it was decided to pass a single adjustment entry at the beginning of the next year. Give the necessary journal entry. **3**

[***Hint:*** Anu (Dr.) ₹ 250; Beena (Cr.) ₹ 25; Ceema (Cr.) ₹ 100 and Deepa (Cr.) ₹ 125]

Q10. Vishesh Technologies Ltd. decided to redeem ₹ 5,00,000 10% debentures. It purchases ₹ 4,00,000 debentures in the open market at ₹ 97.50 each. The expenses being ₹ 2,000 and redeemed the balance debentures by draw of lots. Journalise. **3**

[***Hint:*** Profit on Redemption of Debentures = ₹ 8,000]

[***Hint:*** It has been assumed that the company carries adequate debenture reserve]

Q11. Magnificent Finance Ltd. had issued 10,000, 12% debentures in 2010 each of ₹ 100, interest payable on June 30 and December 31, every year till the date of redemption. It redeemed 1,000 debentures by paying back the money on 31st December, 2013. On the same date it also converted 2,000 debentures into 19,800 equity share of ₹ 10 issued at par. Give journal entries for recording these transactions on December 31, 2013, in the books of Magnificent Finance Ltd. **4**

[***Hint:*** Profit on redemption of debentures = ₹ 2,000]

Q12. A and S were childhood friends and colleagues in a company who were thinking of starting something of their own someday. On 1st January, 2013, they thought of starting a stationary depot for the backward children of their area.

They also admitted M, a disabled educated youth as a partner of their firm without any capital contribution. S also approached R from Delhi, who was also eager to start something of this sort having lot of funds at his disposal, and persuaded him to join them.

The following terms were agreed upon:

(*i*) A, S and R will contribute ₹ 30,000; ₹ 50,000 and ₹ 4,00,000 respectively as capital.

(*ii*) Profit will be shared equally.

(*iii*) Interest on capital will be allowed @ 5% p.a.

The Profits of the firm for the year ended 31st December, 2011 were ₹ 50,000. Prepare Profit and Loss Appropriation Account of the firm for the year ending 31st December, 2011. **4**

Q13. A and B are partners sharing points in the ratio 3 : 2 and their Balance Sheet is as follows:

Liabilities	(₹)	Assets	(₹)
Creditors	3,600	Cash	1,000
Bills Payable	2,000	Debtors	3,400
General Reserve	2,400	Stock	2,400
Capitals:		Machinery	4,200
A	15,000	Building	20,000
B	8,000		
	31000		31000

The other terms of agreement on C's admission were as follows:

C will bring ₹ 10,000 as Goodwill and ₹ 15,000 as Capital.

(*a*) Building will be valued at ₹ 18,500 and Machinery at ₹ 5,000.

(*b*) A provision of 5% will be credited on Debtors for Bad Debts.

Capital Accounts of A and B will be adjusted as per C's Capital. His profit sharing ratio is the in the new firm. Prepare Revaluation Account, Partner's Capital Account and the Balance Sheet of A, B and C. **6**

[***Hint:*** Loss on Revaluation A = 522, B = 348, B/S Total = ₹ 65,600]

Q14. A, B and C are partners in a firm sharing profits in the proportion of 3 : 2 : 1. Their Balance Sheet as on 31st March, 2013 stood as follows:

Liabilities		(₹)	Assets	(₹)
Bills Payable		12,000	Buildings	21,000
Creditors		14,000	Cash in Hand	12,000
General Reserve		12,000	Cash at Bank	13,700
Capital Accounts :			Debtors	12,000
A	20,000		Bill Receivable	4,300
B	12,000		Stock	1,750
C	8,000	40,000	Investment	13,250
		78,000		78,000

B died on 30th June, 2013 and according to the deed of the said partnership her executors are entitled to be paid as under:

(*i*) The capital to her credit at the time of her death and interest thereon @ 10% per annum.

(*ii*) Her proportionate share in General Reserve.

(*iii*) Her share of profits for the intervening period will be based on the sales during that period. Sales were calculated as ₹ 1,20,000. The rate of profit during past three years had been 10% on sales.

(*iv*) Goodwill according to her share of profit to be calculated by taking twice the amount of profits of the last three years less 20%. The profits of the previous three years were:

2010-2011	₹ 8,200
2011-2012	₹ 9,000
2012-2013	₹ 9,800

The investments were sold at par and her executors were paid out.

Prepare B's Capital Account and her Executor's Account. **6**

[***Hint:*** Amount due to B's Legal Executors = ₹ 25,100]

Q15. A Company issues the following debentures:

(*i*) 10,000, 12% debentures of ₹ 100 each at par but redeemable at premium of 5% after 5 years;

(*ii*) 10,000, 12% debentures of ₹ 100 each at a discount of 10% but redeemable at par after 5 years;

(*iii*) 5,000, 12% debentures of ₹ 1,000 each at a premium of 5% but redeemable at par after 5 years;

(*iv*) 300, 12% debentures of ₹ 100 each as a collateral security to a bank which has advanced a loan of ₹ 25,000 to the company for a period of 5 year. **6**

Pass the journal entries to record the issue of debentures.

Q16. Udai Nirman Ltd issued a prospectus inviting applications for 50,000 shares of ₹ 10 each. These were issued at par on the following terms:

On application ₹ 5; On allotment ₹ 2; On first call ₹ 2 and balance on final call.

Applications were received for 70,000 shares. Allotment were made on the following basis :

(*i*) To applicants for 10,000 shares - in full;

(*ii*) To applicants for 20,000 shares - 15,000 shares;

(*iii*) To applicants for 40,000 shares - 25,000 shares.

All excess amount paid on application is to be adjusted against amount due on allotment and calls.

The shares were fully called and paid-up except amounts on first and final call not paid by those who applied for 2,000 shares out of the group applying for 20,000 shares.

Pass journal entries, prepare Cash Book and Balance Sheet of the Company. **8**

[***Hint:*** Cash at Bank = ₹ 4,95,500; Call-in-Arrears = ₹ 4,500; B/S Total = ₹ 4,95,500]

Or

A limited company issued a prospectus inviting applications for 2,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows :

One application	₹ 2
On allotment	₹ 5 (including Premium)
On first call	₹ 3
One second call	₹ 2

Applications were received for 3,000 shares and allotment was made pro-rata to the applicants for 2,400 shares, the remaining applications being refused. Money overpaid on applications was employed on account of sums due on allotment.

X to whom 40 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited. Y the holder of 60 shares failed to pay the two calls and his shares were forfeited after the second call had been made.

Of the shares forfeited, 80 shares were sold to Z credited as fully paid for ₹ 9, the whole of X's shares being included.

Show journal and cash book entries and balance sheet.

[***Hint:*** Capital Reserve = ₹ 216]

Q17. A, B and C carrying on business and sharing profits in the ratio of 3 : 2 : 1 respectively, agreed to dissolve their partnership firm on 31st December, 2013. The Balance Sheet of the firm as on that date is as follows: **8**

Liabilities	(₹)	Assets	(₹)
Creditors	88,000	Machinery	1,00,000
Capital Accounts:		Stock	60,000
A	1,00,000	Debtors	78,000
B	10,000	Cash at Bank	32,000
C	72,000		
	2,70,000		2,70,000

A agreed to take over machinery at an agreed value of ₹ 80,000. A sum of ₹ 63,000 could be realised from debtors and stock was sold for ₹ 46,000.

The creditors were satisfied by payment of ₹ 84,000. Expenses of dissolution amounted to ₹ 3,000.

Draw up a Realisation Account, Bank Account and Partners' Capital Accounts assuming that all partners are solvent.

[***Hint:*** Loss on Realisation ₹ 48,000, Final payment of Capital to C = ₹ 64,000; Amount received from A = ₹ 4,000 and from B = ₹ 6,000]

Or

Usha and Asha are partners in a firm who are sharing profits in the ratio of 3 : 2. On 31st March, 2013 their Balance Sheet was as follows:

Liabilities		(₹)	Assets		(₹)
Creditors		88,000	Machinery		1,00,000
Creditors		27,000	Cash		24,000
General Reserve		18,000	Debtors	48,000	
Bills Payable		5,000	Less: Provision	4,800	43,200
Capital:			Stock		30,000
Usha	40,000		Patents		7,400
Asha	35,000	75,000	Building		20,400
		1,25,000			1,25,000

Neelam is admitted into the partnership giving her $\frac{1}{4}$ share in the profits. Neelam to bring in ₹ 30,000 as her Capital and her share of Goodwill in Cash subject to the following terms :

(*i*) Goodwill of the firm to be valued at ₹ 50,000

(*ii*) Stock to be reduced by 10% and Provision for Bad Debts be reduced by ₹ 2,400.

(*iii*) Patents are valueless.

(*iv*) There was a claim against the firm for damages amounting to ₹ 2,000. The claim has now been accepted.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

[***Hint:*** Loss on Revaluation ₹ 10,000; Capital: Usha = ₹ 50,800, Asha = ₹ 42,200 and Neelam = ₹ 30,000; B/S Total = ₹ 1,57,000]

Part—B

Analysis of Financial Statements

Q18. State with reason whether 'Purchase of investment' would result in inflow, outflow or no flow of cash. **1**

Q19. Payment of 'Proposed dividend' is classified under which kind of activity while preparing a cash flow statement. **1**

Q20. Under what heading you will show the following items in the Balance Sheet of a Company:

(*i*) Share Premium Account (*ii*) Preliminary Expenses

(*iii*) Bills Receivable (*iv*) Goodwill **4**

Q21. From the following data prepare a Statement of Profits in the comparative form: **4**

Particulars	31.3.2014	31.3.2015
Revenue from Operations	₹ 6,00,000	₹ 8,00,000
Gross Profit Ratio	30%	40%
Administrative Expenses	₹ 40,000	₹ 1,00,000
Income Tax	50%	50%.

Q22. From the following data calculate:

(*i*) Gross Profit Ratio (*ii*) Net Profit Ratio

(*iii*) Working Capital Turnover Ratio (*iv*) Return on Capital Employed

	₹	
Net Revenue from operation	30,00,000	
Cost of Revenue from operation	20,00,000	
Net Profit	3,00,000	
Current Assets	6,00,000	
Current Liabilities	2,00,000	
Paid-up Share Capital	5,00,000	
Debentures	2,50,000	**4**

[***Hint:*** (*i*) Gross Profit Ratio = 33.33% (*ii*) Net Profit Ratio = 10% (*iii*) Working Capital Turnover Ratio = 7.5 times (*iv*) Return on Capital Employed = 40%]

Q23. From the following Balance Sheets of Vikas Ltd. as at 31.3.2011 and 31.3.2012, prepare a Cash flow Statement:

	Particulars			**31.3.2011**	**31.3.2012**
I.	**EQUITY AND LIABILITIES**				
	Shareholders' Funds:				
	Share Capital				
	Reserves and Surplus	31.3.2011	31.3.2012		
	General Reserve	30,000	55,000		
	Statement of Profit and Loss	20,000	30,000		
	Preliminary Expenses	(2,000)	(1,000)	48,000	84,000
	Current Liabilities				
	Trade Payables			17,400	22,000
	Total			1,55,400	2,36,000
II.	**ASSETS**				
	Non-Current Assets:				
	Fixed Assets			93,400	1,66,000
	Current Assets:				
	Inventories			22,000	26,000
	Trade Receivables			36,000	39,000
	Cash and Cash Equivalents			4,000	5,000
	Total			1,55,400	2,36,400

Additional Information:

(*i*) Depreciation charged on fixed assetrs for the year 2011–2012 was ₹ 20,000

(*ii*) Income Tax ₹5,000 has been paid in advance during the year. **6**

(***Hints:*** Cash inflows from operating activities ₹ 53,600.
Cash used in investing activities 92,600
Cash inflows from financing activities ₹ 40,000)

MODEL QUESTION PAPER — 3

CLASS – XII

ACCOUNTANCY

Time Allowed: 3 Hours **Maximum Marks: 80**

Part—A

Accounting for Partnership Firms and Companies

Q1. Aakash, Vikas and Prakash are partners in a firm contributing ₹ 50,000, ₹ 40,000 and ₹ 10,000 respectively towards their capital. Prakash advanced ₹ 1,00,000 to the firm for 6 months as loan without any further agreement about interest on it. Prakash is demanding interest on Loan for 6 months @ 10% p.a for which other partners do not agree. Other partners are demanding interest on their respective capitals @ 6% p.a. for the full year for which Prakash is not agreeable. Settle the dispute between the partners. **1**

Q2. Suresh, Mukesh and Naresh are partners sharing profits in the ratio of 5 : 3 : 2 respectively. Mukesh left the firm. What will be the new profit sharing ratio between remaining partners? **1**

Q3. Raman and Aman are partners for $\frac{1}{4}$ and $\frac{3}{4}$ share in a partnership firm Naman is admitted for $\frac{1}{3}$ share. What will be the new profit sharing ratio of partners? **1**

Q4. Rita, Sita and Teena are partners in a firm and do not have a partnership agreement. Teena had given a loan of ₹ 10,000 to the firm and expects an interest @ 10% for the loan. The other partners do not agree to this. Should Teena be given interest at the desired rate? Give reason. **1**

Q5. X, Y and Z are partners. Y retires and the new profit sharing ratio is 2 : 1. Calculate the gaining ratio of X and Z. **1**

Q6. How much minimum amount of investment to be made before the redemption of debentures commences? **1**

[***Hint:*** At least 15 % of the value of debentures]

Q7. Sundram Ltd. purchased Furniture for ₹ 3,00,000 from Ravindram Ltd., ₹ 1,00,000 were paid by drawing a Promissory Note in favour of Ravindram Ltd. The balance was paid by issue of Equity Shares of ₹ 10 each at a premium of 25%.

Pass necessary Journal entries in the books of Sundram Ltd. **3**

Q8. CMC Ltd., invited applications for issuing 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The whole amount was payable on application. The issue was over subscribed by 30,000 shares and allotment was made on pro-rata basis.

Pass necessary journal entries in the books of the company. **3**

[***Hint:*** Excess amount refunded = ₹ 3,90,000]

Q9. The partners of a firm distributed the profit for the year ended 31st March, 2013, ₹ 90,000 in the ratio of 3 : 2 :1 without providing to the following adjustments :

(*i*) A and B were entitled to salary of ₹ 1,500 each per annum.
(*ii*) B was entitled to a commission of ₹ 4,500.
(*iii*) B and C had guaranteed a minimum profit of ₹ 35,000 p.a. to A.
(*iv*) Profits were to be shared in the ratio of 3 : 3 : 2.

Pass necessary journal entry for the above adjustments in the books of the firm. **3**

[***Hint:*** A (Dr.) = ₹ 8,500 ; B (Cr.) = ₹ 4,500 and C (Cr.) = ₹ 4,000]

Q10. A and B are partners in the ratio of 5 : 3 respectively. From 1st January, 2013 they decided to admit C for th share. C was to bring his share of goodwill in cash. For this purpose firm's goodwill was to valued on super profit method when the firm expects to earn super profits for 3 years.

The average profits of the firm is ₹ 24,000. Capital employed is ₹ 1,50,000. Average rate of return in the same type of business is 10%.

Pass necessary journal entry. **3**

[***Hint:*** Value of firm's goodwill = ₹ 27,000 ; C's share of goodwill = ₹ 5,400
A's Capital A/c (Cr.) ₹ 3,375; B's Capital A/c (Cr.) ₹ 2,025]

Q11. Vishal Mega Mart Ltd. decided to redeem ₹ 1,00,000, 10% debentures. It purchased ₹ 80,000 debentures in the open market at ₹ 97.50 each. The expenses being ₹ 400 and redeemed the balance debentures by draw of lots. Journalise the transactions. **4**

[***Hint:*** Profit on Redemption of Debentures = ₹ 1,600]

Q12. Pass journal entries for the issue of debentures in the following cases also show them in Balance Sheet:

(*i*) 1,000, 12% debentures issued at par redeemable at 5% premium.

(*ii*) 1,000, 12% debentures issued at 5% premium redeemable at par.

(*iii*) 1,000, 12% debentures issued at 5% discount redeemable at par.

(*iv*) 1,000, 12% debentures issued at 2% discount redeemable at 5% premium.

In all the cases, debentures are of nominal value of ₹ 100 each. **4**

Q13. After doing their graduation, Shabir suggested to his classmate David to form a partnership to sell low cost school uniforms to the students belonging to low income group who have been admitted to the private schools of the city as per the provisions of Right to Education Act, 2009. David agreed to the proposal and requested to admit his friend Charu, a visually handicapped unemployed person also to be a member of the proposed firm. All of them agreed to form a partnership firm but they were not having enough capital to invest. Shabir, therefore persuaded a rich friend of his, Rafiq, who hailed from Assam to be a partner and contribute the required capital. All of them formed a partnership on the following terms:

(*i*) Shabir will contribute ₹ 1,00,000; David ₹ 50,000, Rafiq ₹ 10,00,000 and Charu will be partner without capital.

(*ii*) Profits will be shared equally.

(*iii*) Interest on capital will be allowed @ 5% p.a.

The profits of the firm for the year ended 31st March, 2012 were ₹ 1,50,000 Prepare Profit and Loss Appropriation Account of the firm for the year ending 31st March 2012. **6**

[***Hint:*** Capital A/c's - Shabir = ₹ 23,125, Dravid = ₹ 23,125, Rafiq = ₹ 23,125 and Charu = ₹ 23,125]

Q14. X, Y and Z are partners sharing profit 4 : 2 : 1 respectively. To provide ready cash for paying out a portion of deceased partner's share, a Joint Life Policy had been taken for ₹ 70,000 and the annual premium of ₹ 2,500 paid thereon was written off as an expense each year.

It was agreed that in the case of death of a partner, his share of the profit accrued to the date of death was to be calculated on the basis of the average profits of the two preceeding years. Goodwill was to be valued on the basis of 3 years' purchase of the average profits of the last three financial years.

Y died on 30th April, 2013. His capital on 31st December, 2012, when last Balance Sheet was prepared, stood at ₹ 1,50,000 and he had drawn ₹ 5,000 during the last four months. The profit for the year 2010, 2011 and 2012 were ₹ 70,000, ₹ 1,05,000 and ₹ 1,40,000 respectively.

Prepare Y's Capital Account showing the amount payable by the firm to his widow. Ignore paise in your calculation. **6**

[***Hint:*** Amount due to Y's executors ₹ 2,66,667]

Q15. Raghuveer Limited created 10,00,000, 8% debentures stock which was issued as follows to:

(a) Sundry subscribers for cash at 90% ₹ 5,50,000

(b) Creditors for ₹ 2,50,000 capital expenditure in satisfaction of his claim ₹ 2,00,000

(c) Bankers as collateral securities for a bank loan ₹ 2,50,000

The issue (a) and (b) are redeemable at the end of 10 years at 20% premium. State how the debenture stock be dealt with while preparing the balance sheet of a company. **6**

Q16. A and B are partners in a firm sharing profits in the ratio of 3 : 2. Their Balance Sheet as at 31st December, 2014 stood as under :

Liabilities	(₹)	Assets	(₹)
Capital Accounts :		Machinery	33,000
A	35,000	Furniture	15,000
B	30,000	Investments	20,000
General Reserves	10,000	Stock	23,000
Bank Loan	9,000	Debtors	19,000

Contd.

Creditors	36,000	Less: Provision for D.D.	2,000	17,000
		Cash		12,000
	1,20,000			1,20,000

On that date they admitted C into partnership for 1/4th share in the profit on the following terms :

(*i*) C brings capital proportionate to his share. He brings ₹ 7,000 in cash as his share of goodwill.

(*ii*) Debtors are all good.

(*iii*) Depreciate stock by 5% and furniture by 10%.

(*iv*) An outstanding bill for repairs ₹ 1,000 will be brought in books.

(*v*) Half of the investments were to be taken over by A and B in their profit sharing ratio at book value.

(*vi*) Bank loan is paid off.

(*vii*) Partners agreed to share future profits in the ratio 3 : 3 : 2.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet after admission of C into the partnership. **8**

[***Hint:*** Loss on Revaluation = ₹ 1,650; Capital: A = ₹ 40,310, B = ₹ 30,040 and C = ₹ 23,450; Balance Sheet Total = ₹ 1,30,800]

Or

Vinod, Vijay and Venkat are partners sharing profits and losses in the ratio of 3 : 2 : 1. They decide to dissolve their firm on 31-12-2012, the date on which their Balance Sheet stood as under:

Balance Sheet

Liabilities		(₹)	Assets		(₹)
Creditors		17,000	Bank		3,500
Bill Payable		12,000	Stock		19,800
Vinod's Loan		5,300	Debtors	15,000	
General Reserves		6,000	Less : Provisions	1,000	14,000
Capital :			Joint Life Policy		4,000
Vinod	25,000		Furniture		10,000
Vijay	11,000		Machinery		33,000
Venkat	8,000	44,000			
		84,300			84,300

The following additional informations are given:

1. The Joint Life Policy is taken by Vinod at ₹ 5,000.
2. Assets realised as follows:

Stock	17,500
Debtors	14,500
Furniture	6,800
Machinery	30,300

3. Expenses on realisation amounted to ₹ 2,000.

Close the books of the firm giving relevant Ledger Accounts.

[***Hint:*** Loss on Realisation = ₹ 8,700; Final payment of Capital to Partners: Vinod = ₹ 18,650; Vijay = ₹ 10,100; Venkat = ₹ 7,750; Cash Account Total = ₹ 72,600]

Q17. Amrit Ltd. issued a prospectus inviting applications for 20,000 shares at a premium of ₹ 2 per share payable as follows:

On Application	₹ 5 (including premium)
On Allotment	₹ 4
On Call	₹ 3

Applications were received for 30,000 shares and pro-rata allotment was made on applications for 24,000 shares. Excess money paid on application for their shares was utilised towards allotment money.

Atul who applied for 600 shares failed to pay the allotment money and on his subsequent failure to pay the call, his shares were forfeited.

Pass the necessary entries in the books of Amrit Ltd. 8

[***Hint:*** Share Forfeiture ₹ 2,000]

Or

A company issued for public subscription 40,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as under:

On Application	₹ 2 per share
On Allotment	₹ 5 per share (including premium)
On First and Final Call	₹ 5 per share

Applications were received for 60,000 shares. Allotment was made on pro-rata basis to all the applicants. Money overpaid on applications was applied towards sum due on allotment. A, to whom 1,000 shares were allotted, failed to pay the allotment and call money. B, to whom 2,000 shares were allotted, failed to pay the final call. The shares of A and B were subsequently forfeited after the first and final call was made. 2,000 of the forfeited shares were reissued @ ₹ 8 per share fully paid. The reissued shares included all of A's shares.

Pass journal entries in the books of the company to record the above transactions.

[***Hint:*** Capital Reserve = ₹ 4,000]

Part—B

Analysis of Financial Statements

Q18. State with reason whether 'Decrease in debtors' would result in inflow, outflow or no flow of cash. **1**

Q19. In how many categories all the business activities are classified while preparing Cash Flow Statement? **1**

Q20. Show the relevant main headings under which the following items would be disclosed in the Balance Sheet of a limited company.

(*i*) Goodwill

(*ii*) Bills Receivable

(*iii*) Authorised Capital

(*iv*) Preliminary Expenses **4**

Q21. From the following information, prepare a Comparative Income Statement :

	2011 (₹)	**2012** (₹)
Gross Revenue from Operation	11,00,000	17,00,000
Sales Returns	1,00,000	2,00,000
Cost of Revenue from Operation	8,00,000	11,00,000
Administrative Expenses	1,00,000	1,50,000
Operating Expenses	1,00,000	2,50,000
Other Income	20,000	24,000
Income Tax	40,000	80,000

4

Q22. On the basis of following information, calculate (*i*) Gross Profit Ratio, (*ii*) Working Capital Turnover Ratio, (*iii*) Debt-Equity Ratio. (any two)

	(₹)
Net Revenue from Operation	30,00,000
Cost of Revenue from Operation	20,00,000
Current Assets	6,00,000

Current Liabilities	2,00,000	
Paid-up Share Capital	5,00,000	
Debentures	2,50,000	
Loan	1,25,000	**4**

[***Hint:*** (*i*) Gross Profit Ratio 33%; (*ii*) Working Capital Turnover Ratio 7.5 Times; (*iii*) Debt - Equity Ratio 0.75 : 1]

Q23. X Ltd. made a profit of ₹ 1,00,000 after charging depreciation of ₹ 20,000 on assets and transferring ₹ 30,000 to General Reserve. The goodwill written off was ₹ 7,000 and the gain on sale of Machinery was ₹ 3,000. The other information available related to changes in the value of Current Assets and Current Liabilities is as follows:

At the end of the year debtors showed an increase of ₹ 6,000; creditors an increase of ₹ 10,000; prepaid expenses an increase of ₹ 200; Bills Receivable a decrease of ₹ 3,000; Bills Payable a decrease of ₹ 4,000 and outstanding expenses a decrease of ₹ 2,000. Ascertain the cash flow from the operating activities. **6**

[***Hint:*** Cash flow from operating activities = ₹ 1,54,800]